

Message Text

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STATE PASS TO TREASURY, JUSTICE AND FEDERAL TRADE COMMISSION

E.O. 11652: N/A
TAGS: BEXP, ETRD, TW
SUBJECT: TAIWAN'S MEASURES TO INCREASE IMPORTS FROM US: AUTOMOBILES

REF: 77 TAIPEI 6897

1. ONE OF GROC MEASURES TO INCREASE IMPORTS FROM THE U.S. ANNOUNCED IN NOVEMBER 1977 WAS THE PARTIAL LIFTING OF THE GOVERNMENT'S GLOBAL IMPORT BAN ON AUTOMOBILES TO FACILITATE THE IMPORTATION OF US-MADE CARS. AS REPORTED IN REFTEL A, THE FIGURE OF 4,000 PASSENGER CARS WAS AND CONTINUES TO BE THE OBJECTIVE OR GOAL OF THE GROC FOR CALENDAR YEAR 1978.

2. GENESIS OF 4,000 FIGURE, ABOUT WHICH THERE HAS BEEN CONSIDERABLE CONFUSION, IS INTERESTING. ACCORDING TO LARRY SUN, LOCAL REPRESENTATIVE FOR GM, THE 4,000 FIGURE WAS HIS ESTIMATE OF THE MARKET POTENTIAL FOR US CARS AND WAS PART OF HIS PITCH TO MINISTER OF ECONOMIC AFFAIRS Y.S. SUN LAST SUMMER TO REOPEN TAIWAN MARKET FOR US CARS. LARRY SUN ALSO CLAIMS THAT DURING OCT.-NOV. 1977 DISCUSSIONS IN EXECUTIVE YUAN OF WAYS TO REDUCE ROC'S TRADE SURPLUS WITH US, DIRECTOR GENERAL OF BOARD OF FOREIGN TRADE H.K. SHAO
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SUGGESTED CONSUMER DURABLES BE IMPORTED FROM US AND PREMIER THEN ASKED IF ANYONE KNEW HOW MANY US CARS COULD BE IMPORTED, TO WHICH MINISTER SUN RESPONDED 4,000.

3. CENTRAL TRUST OF CHINA (CTC) IS NOW GOING TO AUCTION OFF US DOLLAR FOREIGN EXCHANGE FOR IMPORTATION OF US CARS ON FEBRUARY 1. US AUTO DEALERS AND REPRESENTATIVES

OF GM AND CHRYSLER HAVE EXPRESSED THEIR CONCERN THAT BIDDING IS NOT TO BE LIMITED TO FRANCHISED DEALERS OF US AUTO MANUFACTURERS. BECAUSE THE HIGHEST PRICE BID FOR THE DOLLAR EXCHANGE FOR LOTS OF 50 CARS THEN BECOMES THE PREVAILING PRICE FOR EVERYONE BIDDING AT THE FEBRUARY 1 AUCTION, IT IS POSSIBLE THAT ONE TRADING COMPANY COULD PUSH UP THE DOLLAR EXCHANGE PRICE SO HIGH (LET'S SAY 60NT\$ FOR ONE US DOLLAR) THAT ONLY A FEW CARS WOULD BE SOLD. DEALERS ARE THEREFORE CONVINCED THAT IF BIDDING IS OPEN TO EVERYONE, THE FEBRUARY 1 AUCTION WILL BE A FIASCO.

4. COMMATT MET WITH TAIPEI AMERICAN CAR DEALERS ASSOCIATION TO ASCERTAIN THEIR VIEWS. THEY AGREED THAT ALTHOUGH THE AUCTION PROCEDURE WOULD NOT BE THEIR PREFERENCE, THEY COULD LIVE WITH FEBRUARY 1 AND ADDITIONAL FEBRUARY AUCTIONS IF PARTICIPATION WERE TO BE LIMITED TO DEALERS WITH US AUTOMOBILE FRANCHISES. AN IMPORTANT CONSIDERATION IS THAT FOR THE CARS PURCHASED FEBRUARY 1 THEY WOULD HAVE ONLY THREE MONTHS (APRIL-JUNE) IN WHICH TO SELL THEM. THEY STRONGLY BELIEVE THAT ANY ATTEMPT TO THROW OUT THE AUCTION AND SUBSTITUTE SOMETHING ELSE WOULD INEVITABLY INVOLVE PROTRACTED DELAYS IN PLACING OF ORDERS FOR NEW CARS AND ABOUT WIPE OUT ANY CHANCES OF SELLING ANY 1978 MODELS.

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5. TAIPEI US AUTO DEALERS ASSOCIATION HAS NOW WRITTEN LETTER TO CTC WARNING OF DOCUMENTATION PITFALLS OF OPENING UP BIDDING TO ANY COMPANY. THEY HAVE TOLD COMMATT THAT CTC HAS PREARRANGED TO REACT TO THIS LETTER BY SENDING LETTER TO EMBASSY REQUESTING OUR ADVICE ON NORMAL BUSINESS PRACTICE IN SALES OF US AUTOMOBILES. CTC IS SAID TO HAVE AGREED TO TAKE THIS EXTRAORDINARY STEP BECAUSE OF DOUBTS ABOUT THE EFFICIENCY OF THE BIDDING PROCEDURE AND DO NOT WANT TO BE BLAMED FOR ANY FIASCO.

6. EMBASSY REQUESTS WASHINGTON TO AUTHORIZE THE EMBASSY TO REPLY TO CTC LETTER GIVING POSITIVE ADVANTAGES OF DEALER FRANCHISING (E.G., WARRANTY, AFTER SERVICE, SPARE PARTS AND PRODUCT LIABILITY). AND TO PROVIDE INFORMATION ON NORMAL BUSINESS PRACTICE FOR SALE OF AUTOMOBILES IN US MARKET. IN MARCH, AFTER RESULTS OF AUCTION OR AUCTIONS ARE KNOWN, EMBASSY INTENDS TO HOLD A POST-MORTEM MEETING FOR AUTO DEALERS AND PRINCIPAL ACTORS IN GROC RESPONSIBLE FOR INSTITUTING THE AUCTION (CTC, BOFT AND MIN OF FINANCE). WE COULD THEN VENTILATE ANY OBJECTIONS WASHINGTON MIGHT HAVE TO THE AUCTION PROCEDURES AND CONCEPT.

7. PARAMOUNT REASON FOR FOREGOING EMBASSY POSITION IS
TO GET AMERICAN CARS MOVING INTO TAIWAN TO NARROW US-ROC
TRADE GAP.
SULLIVAN

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